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CableVision

INFORMATION AND ANALYSIS FOR CABLE TELEVISION MANAGEMENT

VCR/PPV SQUAREOFF: MONEY TALKS IN HOLLYWOOD

GOODWILL GAMES SLOW TO CATCH FIRE

CANADIANS LEAN HARD AGAINST REGULATORY WALL

SCTE SPECIAL: ENGINEERS LOOK AT NEW DIRECTIONS

PUBLIC OR PRIVATE? MSO'S DEBATE GROWTH STRATEGIES

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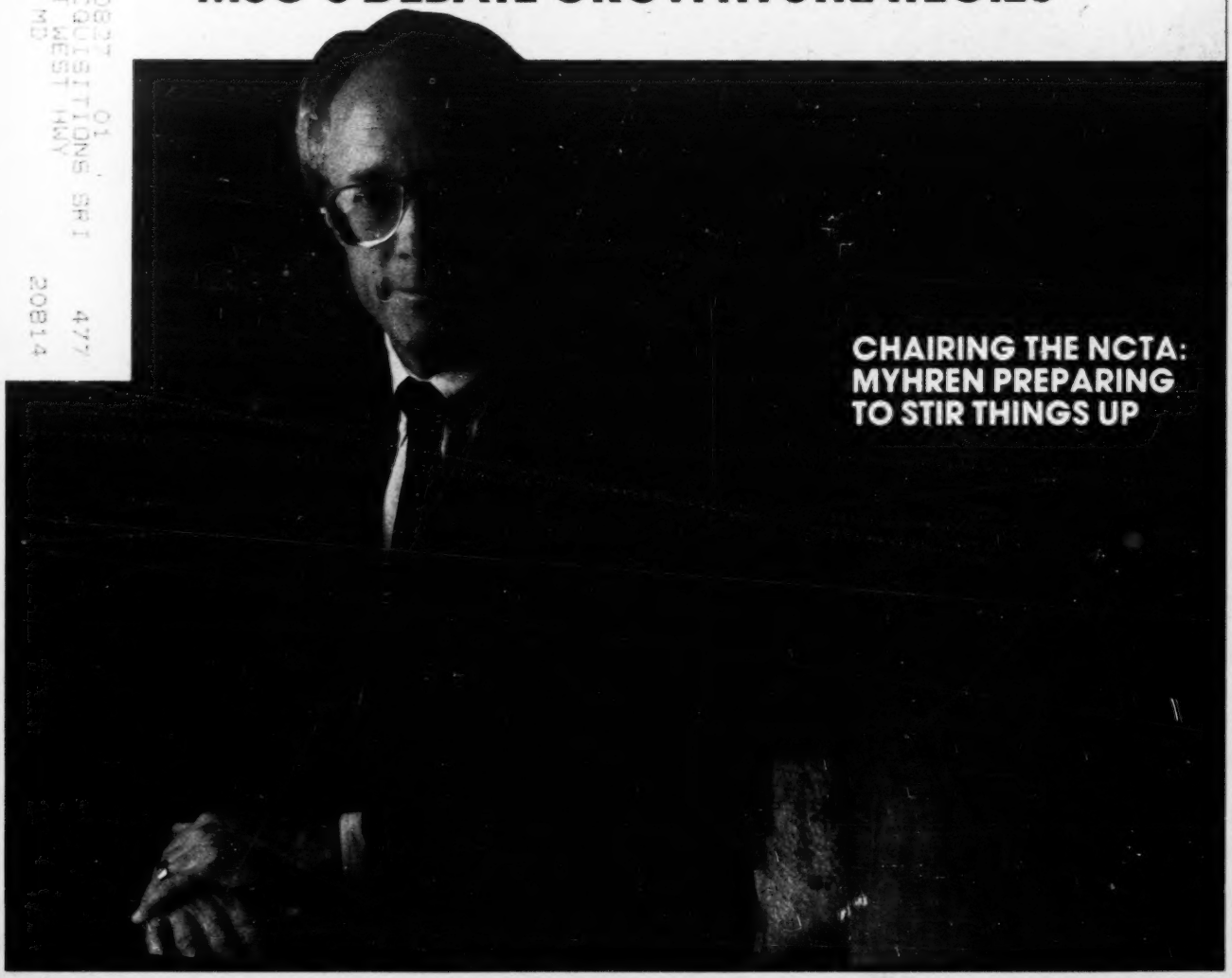

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CableVision

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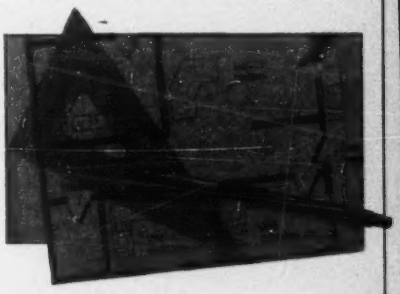

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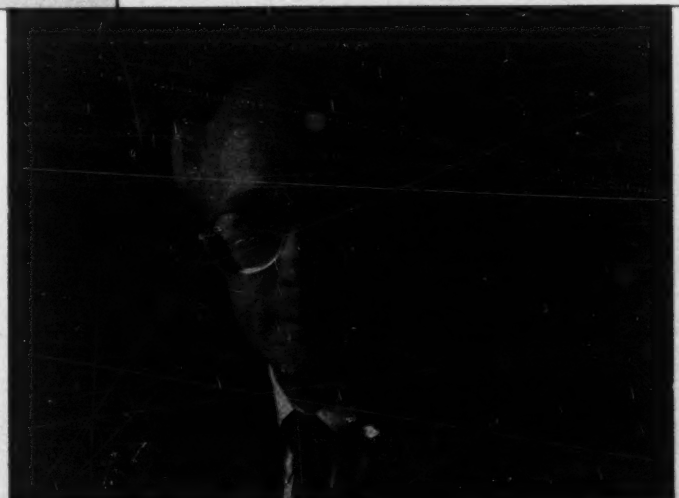

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NCTA chairman 28
Trygve Myhren is finally at the helm of the National Cable Television Association and in a broad-ranging interview discusses his call for industry image polishing and other goals for the association.

Cable services subscriber count

Satellite-fed national services

Basic services	Affiliates	Subscribers
ACTS Satellite Network	220	4,000,000
Alternate View Network	63	1,221,164
Arts & Entertainment (A&E)	2,200	18,000,000
Black Entertainment Television (BET)	590	13,015,183
Cable News Network (CNN)	9,102	33,501,000
Cable Value Network	20	200,000
C-SPAN	2,100	24,000,000
CBN Cable Network	6,714	30,065,000
Country Music Television	425	6,200,000
The Discovery Channel	614	6,417,994
ESPN	12,113	36,900,000
Eternal Word Television Network (EWTN)	276	4,500,000
Financial News Network (FNN)	1,200	21,000,000
Headline News	3,157	18,039,000
Hit Video USA	NA	NA
Home Shopping Network	324	8,000,000
Innovations In Living (HSN2)	15	2,000,000
The Learning Channel	760	6,600,000
Liberty Broadcasting Network	90	1,292,000
Lifetime	2,753	24,000,000
Music Television (MTV)	3,385	28,000,000
The Nashville Network	3,200	24,700,000
National Jewish Television (NJTV)	247	5,569,000
Nickelodeon	4,200	26,000,000
PTL The Inspirational Network	1,300	13,000,000
Pratco	NA	NA
Rock Christian Network	NA	NA
Silent Network	200	6,500,000
SIN Television Network	364	32,758,700
Success-N-Life Network	NA	NA
Tempo Television	608	12,100,000
Trinity Broadcasting Network	423	6,171,000
USA Network	6,500	31,000,000
Video Hits One	640	11,000,000
The Weather Channel	2,019	20,200,000
WGN-TV	7,397	17,681,000
WOR-TV	1,494	5,440,000
WPIX-TV	160	2,500,000
WTBS-TV	10,436	36,078,000
Pay services		
American Extasy	6	60,000
American Movie Classics	170	275,000
Bravo	240	360,000
Cinemax	3,300	3,700,000
The Disney Channel	2,958	2,550,000
GalaVision	232	175,000
Home Box Office (HBO)	6,900	14,600,000
Home Theater Network (HTN)	350	300,000
Showtime	3,200	5,400,000
The Movie Channel	3,250	3,250,000
The Nostalgia Channel	98	310,000
The Playboy Channel	580	732,000
Private Ticket	4	NA
Audio services		
Cable Radio Network	15	1,100,000
KKGO Super Jazz	15	828,000
Lifestyle	152	1,943,776
Lifestyle AC	15	679,936
Moody Bible Institute	62	748,782
Satellite Radio Network	50	403,000
Studioline	NA	NA
Tempo Sound	89	1,262,393
WFMT Chicago	154	1,149,000
Text services		
AP News Cable	325	4,300,000
AP News Plus	30	700,000
Cable Sportstracker	14	547,000
DBC/MarketWatch	NA	NA
Electronic Program Guide (EPG)	267	5,500,000
EPG Jr.	41	40,433
Genesis Cable Storytime	25	975,000
Reuters News View	325	3,250,000
TV Decisions	120	3,420,000
UPI Data Cable	450	4,000,000
X*Press	58	500,000

Non-satellite-fed national services

Bicycled services	Affiliates	Subscribers
Cable Auto Showcase	5	400,000
Fuji Network	5	11,044
Nippon Golden Network	5	11,044
Vector Consumer News	12	325,000
Vector Consumer Shopping Guide	15	407,000

Regional entertainment services

Basic services	Affiliates	Subscribers
Atlanta Interfaith	7	150,000
Bay Area Religious Channel (BARC)	4	93,000
Buffalo Sabres Hockey	9	400,000
Cable TV Network of New Jersey	36	1,045,000
The Ecumenical Channel	7	148,000
KTVT	88	2,022,000
Life Newsvision	24	36,000
Madison Square Garden	67	1,900,000
Meadows Racing Network	14	446,000
MetroChannel	1	118,000
Prime Ticket	36	1,300,000
SportsVision (Chicago)	28	300,000
Texas Cable Network	15	646,000
Pay services		
Dodgervision	44	935,000
Home Sports Entertainment—Houston/Dallas	86	135,800
Home Team Sports	68	300,000
New England Sports Network	130	110,030
PRISM-Philadelphia	91	365,000
Pro-Am Sports	104	99,318
SportsChannel (New England)	96	222,082
SportsChannel (New York)	53	433,000
Z Channel	21	95,000

Announced services

Satellite-fed services	Expected Launch
ABC Pay-Per-View service	4th Quarter 1986
Apollo Entertainment Television	TBA
The Book Channel	TBA
The BuenaVision Channel	TBA
Cabletix	4th Quarter 1986
Comedy Television	9/86
Discovery Computer Network	1987
Discovery Financial Network	4th Quarter 1986
Discovery Music Network	TBA
El Canal Musical	4th Quarter 1986
Ethnic Radio Networks	TBA
EventTelevision	7/86
International Business Network	4th Quarter 1986
Magicable	TBA
Movie Time	12/86
Sofcast/National Digital Network	2nd Quarter 1986
The Success Network	1/87
Telstar Channels	5/86
The Travel Network	4th Quarter 1986

Note: Figures for affiliate and subscriber counts will be updated quarterly unless information is provided by the service. Send information to: CableVision, Attention Cable Stats, P.O. Box 5208-T.A., Denver, CO 80217.
NA denotes not available.
TBA denotes to be announced.

† Total SIN reach. Spanish-speaking households 4,114,400.
Source: Subscriber and affiliate counts are provided by the program service for International Thomson Communications Inc.

Pay Per View Supply Chart

A listing of movies and events entering PPV distribution over the next three months.

June

Beginner's Luck — Source: New World
MPAA Rating: R
Cast: Sam Rush, Riley Steiner, Kate Talbot
Running Time: 85 mins.

James Joyce's Women (6/1) — Source: Universal
MPAA Rating: R
Cast: Finnula Flanagan
Running Time: 91 mins.

Jewel of the Nile (6/12) — Source: 20th Century-Fox
MPAA Rating: PG
Cast: Michael Douglas, Kathleen Turner, Danny DeVito
Running Time: 105 mins.

Mishima: A Life In Four Chapters (6/18) — Source: Warner Bros.
MPAA Rating: R
Cast: Ken Ogata, Kenji Sawada, Masayuki Shionoya
Running Time: 121 mins.

Murphy's Romance (6/1) — Source: Columbia
MPAA Rating: PG-13
Cast: James Garner, Sally Field
Running Time: 107 mins.

Protector (6/11) — Source: Warner Bros.
MPAA Rating: R
Cast: Jackie Chan, Danny Aiello, Roy Chiao, Victor Arnold
Running Time: 95 mins.

16 Days of Glory (6/5) — Source: Paramount
MPAA Rating: G
Cast: Various 1984 Olympic Athletes
Running Time: 145 mins.

Starchasers: The Legend of Orin (6/4) — Source: Paramount
MPAA Rating: PG
Cast: Animated
Running Time: 100 mins.

Stoogemania (6/25) — Source: Paramount
MPAA Rating: PG
Cast: Josh Mostel, Melanie Chartoff, Sid Caesar, The Three Stooges
Running Time: 83 mins.

That Was Then, This is Now 6/25) — Source: Paramount
MPAA Rating: R
Cast: Emilio Estevez, Craig Sheffer, Kim Delaney
Running Time: 102 mins.

Uforia (6/1) — Source: Universal
MPAA Rating: PG
Cast: Cindy Williams, Harry Dean Stanton
Running Time: 94 mins.

Uphill All The Way (6/19) — Source: New World
MPAA Rating: PG
Cast: Mell Tillis, Roy Clark
Running Time: 126 mins.

July

Aurora Encounter (7/30) — Source: New World
MPAA Rating: PG
Cast: Jack Elam, Peter Brown, Carol Bagdasarian, Dottie West
Running Time: 90 mins.

Brazil (7/1) — Source: Universal
MPAA Rating: R
Cast: Johnathan Price, Robert DeNiro, Katherine Helmond
Running Time: 131 mins.

Clan Of The Cave Bear (7/1) — Source: Warner Bros.
MPAA Rating: R
Cast: Daryl Hannah, John Doolittle, Martin Doyle, Pamela Reed
Running Time: 100 mins.

Conan The Barbarian (7/1) — Source: Universal
MPAA Rating: R
Cast: Arnold Schwarzenegger, James Earl Jones
Running Time: 115 mins.

Conan The Destroyer (7/1) — Source: Universal
MPAA Rating: PG
Cast: Arnold Schwarzenegger, Grace Jones
Running Time: 103 mins.

Enemy Mine (7/2) — Source: 20th Century-Fox
MPAA Rating: PG-13
Cast: Louis Gossett Jr., Dennis Quade
Running Time: 108 mins.

Fever Pitch (7/29) — Source: United Artists
MPAA Rating: R
Cast: Ryan O'Neal, Catherine Hicks, Chad Everett
Running Time: 95 mins.

Head Office (7/3) — Source: HBO Enterprises
MPAA Rating: PG-13
Cast: Judge Reinhold, Eddie Albert, Danny DeVito, Jane Seymour
Running Time: 86 mins.

House (7/30) — Source: New World
MPAA Rating: R
Cast: William Katz, George Wendt, Richard Moll, Kay Lentz
Running Time: 93 mins.

Iron Eagle — Source: Tri-Star
MPAA Rating: PG-13
Cast: Louis Gossett Jr., Jason Gedrick
Running Time: 126 mins.

Marie — Source: MGM/UA
MPAA Rating: PG-13
Cast: Sissy Spacek, Jeff Daniels, Fred Thomson
Running Time: 111 mins.

Quicksilver (7/1) — Source: Columbia
MPAA Rating: PG
Cast: Kevin Bacon, Jami Gertz, Paul Rodriquez
Running Time: 106 mins.

20,000 Leagues Under The Sea (7/24) — Source: Disney (Request TV only)
MPAA Rating: G
Cast: Kirk Douglas, James Mason
Running Time: 120 mins.

August

The Adventures of Mark Twain (8/14) — Source: Paramount
MPAA Rating: G
Cast: Claymation
Running Time: 89 mins.

Bliss (8/17) — Source: New World
MPAA Rating: R
Cast: Barry Otto, Lynette Curran, Helen Jones
Running Time: 112 mins.

Clue (8/13) — Source: Paramount
MPAA Rating: PG
Cast: Eileen Brennan, Tim Curry, Madeleine Kahn, Christopher Lloyd, Michael McKean, Martin Mull, Lesley Anne Warren
Running Time: 87 mins.

Hannah and Her Sisters (8/7) — Source: HBO Enterprises
MPAA Rating: PG-13
Cast: Woody Allen, Mia Farrow, Michael Caine
Running Time: 105 mins.

Lady Jane (8/14) — Source: Paramount
MPAA Rating: PG-13
Cast: Helena Bonham Carter, Cary Elwes
Running Time: 142 mins.

Note: Running times are approximate.

Film information provided to International Thomson Communications Inc. by studios.

NR indicates film not rated by MPAA.

Going public: Is it time to rethink cable's private ownership bias?

By Virginia Munger Kahn

Continental Cablevision, the nation's eighth largest MSO and one of the biggest cable companies still in private hands, wants to stay private based on a single philosophical conviction—that earnings per share pressures associated with public ownership are antithetical to building shareholder value in a cable television company. "The things that are compelling in this business—acquisitions and highly leveraging one's company"—are diametrically opposed to producing earnings, according to Continental's Treasurer Nancy Hawthorne.

Similar thoughts likely prompted Tele-Communications Inc. CEO John Malone's comments at a Kagan seminar in New York last October when he questioned whether "in the absence of public market value" the cable television industry should be run as a public business.

The question is not merely philosophical, but gets to the fundamentals of the cable business itself. To the extent that the business is a low earnings producer, relying instead on building asset values and cash flows through aggressive acquisition programs involving high debt levels, what is cable television's place in the public market? Is it better conducted as a private business as postulated by Malone and practiced by Continental and many other large MSOs?

The record is mixed, while 13 of the top 20 cable companies are publicly held, public equity has always played only a small role in the industry's total capitalization structure. While historical figures are hard to come by, Bill Collatos, partner in the venture capital firm of TA Associates, proposes that 75 percent of the industry's financing has come from the private sector—either debt in the form of bank and insurance company financing or equity in the form of tax-advantaged limited partnerships.

In recent years that trend has continued. According to Paul Kagan & Associates, from 1982 through 1985, public equity offerings raised $600 million for the industry compared to $7.6 billion in loans from banks, insurance companies and other private sources. In 1986, even with the current bull market and a flurry of initial public stock offerings, Kagan predicts $4 billion in new debt compared to $1 billion in equity offerings.

The industry's small public equity component largely reflects its immaturity, according to several investment managers and analysts. Cable companies only started going public in the late 1960s and early 1970s when TCI,

Holdings chart

Corp.	No. of Shares Outstanding	Mgmt/Directors Ownership
1) TCI		
Class A	38,700,000	4.6%
Class B	9,300,000	69.7%
2) Time (ATC)	64,000,000	10.7%
3) Westinghouse (Group W Cable)	154,500,000	.6%
4) Storer Communications	42,900,000	100% by SCI Holdings*
5) Cox Enterprises	N.A.	100%
6) Warner Comm.	67,700,000	35%
7) Continental Cablevision	6,700,000	55.86%
8) United Cable Television	24,400,000	10.83%
9) Times Mirror	64,500,000	41.2%
10) Newhouse Broadcasting	N.A.	100%
11) Viacom International	21,000,000	3%
12) United Artists Communications	20,500,000	58.7%
13) Sammons Communications	N.A.	100%
14) Heritage Communications	17,200,000	5.7%
15) Cablevision Systems Corp. and Affiliates†		
Class A	7,300,000	13.5%
Class B	13,700,000	100%
16) Rogers Cablesystems		
Class A	5,100,000	71%
Class B	26,800,000	7%
17) Jones Intercable		
Common	7,500,000	6%
Common Class A	5,500,000	54%
18) Comcast Corp.		
Class A	19,200,000	4.3%
Class B	3,150,000	100%
19) Telecable	N.A.	100%
20) McCaw Communications/ Affiliated Publications	N.A.	100%

NOTES:

* SCI Holdings is owned by 2 limited partnerships of which Kohlberg Kravis Roberts & Co. is general partners.

† Affiliates are a variety of limited partnerships of which Charles Dolan is managing general partner.

American Television and Communications and the predecessor to Heritage Communications initially raised money in the public markets in order to finance growth and take advantage of a strong stock market. At the time, the industry was riding high on a wave of expectations resulting from the industry's first foray out of the countryside into suburban and urban markets and favorable regulatory rulings which included the approval of the importation of distant signals. It was the "end of the beginning" of the cable industry, said Mark Riely, industry analyst at Eberstadt Fleming Inc., borrowing a phrase from Winston Churchill.

But it all came to a grinding halt in the mid-1970s when the world oil crisis hit and sent the economy in general plunging and several cable companies, including TCI, toward the brink of bankruptcy. Needless to say, the flow of initial public stock offerings for cable companies slowed to a trickle.

The next spate of IPOs flowed into the market in the early 1980s, and they have sputtered along through this decade ever since. But only in the latter half of 1985 has the process taken off again. "This is the first big wave of public offerings since the '70s," said Riely.

Flood of offerings

The reasons for this veritable flood—five new cable issues in the last nine months—are as varied as the philosophies and needs of the people who manage these companies—Cablevision Systems, Century Communications, Rogers Cablesystems of America, American Cablesystems and, once again, ATC. But there are general trends evident in these developments which not only reflect broad changes in how the stocks of many companies across corporate America are valued, but may help answer some of the question of public vs. private for the cable industry. For individual companies, however, the question will always be one of specialized needs and desires.

Perhaps the most significant change in public market values has occurred within the past two years. During this period, American corporations have seen a record number of leveraged buyouts and mergers and acquisitions as both corporate raiders and managements alike have realized the underlying asset values of many previously undervalued companies. No longer are companies valued solely on the basis of their earnings performance. Just as likely, they are valued on the price the company's assets would fetch if they were sold in the private marketplace—the so-called backup or liquidation value of a company.

Storer Communications' stock, for example, was selling at $45 a share in January 1985, just three months before Coniston Partners, also known as the Committee for the Full Valuation of Storer Communications, offered to take over the company, sell off its assets, and raise an estimated $2 billion in the process, or more than $90 a share. Storer eventually flew into the arms of leverage buyout experts Kohlberg Kravis Roberts & Co., which took the company private (except for publicly traded warrants) in a deal eventually worth an estimated $94 a share to the company's stockholders.

"The raiders have brought in a new measure of value," noted Daniels & Associates Chief Executive Officer John Saeman, referring to the T. Boone Pickens' of the world. "(The question is now) what are the underlying asset values in the company really worth?" he said.

Because cable companies rarely measured up to the investment community's idea of what a good public company should do—generate earnings with which stockholders can be paid dividends and upon which future increases in stock price valuations can be based—the shares of cable companies have often sold for discounts from private market value ranging from 30 percent to 50 percent at times. The discount made going to the public markets a fairly inefficient way to raise capital and has likely kept the industry out of the public markets as far as any substantial participation has been concerned.

Discounts closed slightly

However, as a result of the exceptionally strong bull market on Wall Street and the run-up in cable company stock prices in particular, over the past 12 months discounts to private market value has begun to narrow substantially. Several analysts and investment bankers now say they believe cable company stock prices are close to 80 percent or 90 percent of private market value, and one investment banker said he sold all his cable stocks at the end of March, because, in the case of two of them, they were selling "at over 90 percent of private market valuation."

According to figures compiled by Paul Kagan & Associates, public market values for 17 cable companies have closed to within 81 percent of private market value based on 10 times 1986 cash flow for such valuation. However, based on a 12 times 1986 cash flow private market valuation, closer to what almost all medium to large cable systems are selling for currently, public market value falls back to 62 percent; according to Kagan.

Harvey Sandler, head of an investment partnership that bears his name, estimates that in 1985 stock prices moved up 67 percent, while asset values probably rose 20 percent to 25 percent and private valuation edged up 10 percent to 15 percent. The result is a slight reduction in the discount, noted Sandler. "They (discounts) have closed somewhat, but not as much as most people think," he said.

Part of the problem has been that the public market has had to keep up with galloping private market values. Cash flows are up; cable companies are adding more debt in order to make more acquisitions so that asset values are rising, and the private system acquisition market is at a fever pitch.

Spectacular rise

Over the first quarter of 1986, stock prices continued their spectacular rise, gaining 16 percent, or an annualized increase in value of almost 70 percent, according to *Investor's Daily*. "There is a perception of a more attractive business than two or three years ago," said Sandler, pointing to new sources of revenue which have cropped up unexpectedly, such as the Home Shopping Channel and the not-so-unexpected growth in advertising.

Besides the basic improvement in the business, the job of being public for a cable company has been made easier

John Malone

by the acceptance, finally, among certain sectors of the financial community, of the belief that cable companies should be valued on the basis of their cash flows and underlying asset valuation. "Johh Malone and others have been right all along," said Daniels Saeman, alluding to the fact that the TCI executive has long fought to change the way the investment community views cable's fundamentals.

In fact, many industry financial advisers and executives credited Malone for helping to change the perception of the industry. Even Julian Brodsky, chief financial officer at the Comcast Corp., which has never posted a down quarter in more than 12 years, has been converted. While Brodsky has attributed the change to "sitting on too many seminar panels with John Malone," Sandler says institutional investors convinced not only Comcast but Heritage and Viacom as well that their companies would not be penalized by the investment community for sacrificing short-term earnings in order to make major acquisitions and thereby build asset valuation. As Sandler and many other financial experts in the cable industry see it, leveraging up and building asset value is the best way to run a business and build value for a company's shareholders.

But the entire investment community has not yet been converted to the TCI creed. Analysts and investment advisors who closely follow the cable business have been convinced, but many other media analysts continue to value companies primarily on their earnings, noted Sandler. The problem is particularly noticeable in the valuation of so-called hybrid companies, such as Time Inc., Viacom and the Washington Post, which mix their cable holdings with larger earnings-based businesses. The irony of the discrepancy in valuations lies in the depression in the stock price of a company like Time as a result of its cable holdings, so that it currently sells for 60 percent of its private market value, while spinning off the cable subsidiary will result in Time receiving a far fuller value of almost 80 percent for that unit.

The upshot of the conversion of those who follow the industry to the religion of cash flow and asset-based valuation is that many publicly held cable companies are now running their businesses as if they were, in fact, private —paying no attention whatsoever to their earnings and maintaining a highly leveraged balance sheet, which not only keeps the taxman at bay but also provides the future resources for

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Acquired
By

C4 MEDIA CORPORATION

Cable Television Systems Serving 5,300 Subscribers with 4,900 Homes to be Passed in Six Eastern North Carolina Counties

The Buyer was represented by the undersigned

CHARLES GREENE ASSOCIATES

Cable Television Brokerage

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Fifth Floor-East Atlanta, Georgia 30338
(404) 392-3331

This notice appears as a matter of record only.
April 1986

Sold:

Overthrust Cablevision

Serving Evanston, Wyoming

Sale represents 2,800 basic subscribers.

Gerry Zimmerman represented the sellers.

DANIELS & ASSOCIATES

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Denver, Colorado 80206
303/321-7550

Financial Services to the Mobile Communications Industry.

flexing the company's financial muscle.

Cablevision's Chief Financial Officer William Bell happily admitted as much when in response to a question on whether being public did not cramp the cable company's style he said, "We totally ignore earnings. Operating cash flow and the capacity to service debt is really what we focus on."

New issues market

If cable stock prices are beginning to approach private market values and cable companies are allowed to run their businesses in a manner designed to enhance asset valuation rather than earnings performances, there really is no advantage of being private, said TA's Collatos. To the extent that the public markets are efficient, raising capital there becomes an attractive financing alternative for cable companies. And many underwriters feel it is a good new issues market as investors have moved into public stocks seeking higher returns than are available in other current investment opportunities.

But there is more to the surge in cable stock issuances than these considerations. Eberstadt's Riely makes the point that the drive to go public is an outgrowth of the already highly leveraged condition many cable companies have found themselves in as they strive to continue growing. "In most cases, these companies have a lot of debt. They need to expand the equity base in order to make acquisitions," he noted.

Arthur Phillips, first vice president at Drexel Burnham Lambert, confirmed Riely's view that many cable companies go public in order to expand their equity base so they can go out and borrow even more money. This has become even more critical as the prices of acquisitions have skyrocketed.

In fact, Cablevision's Bell said that as a result of the prices cable systems are demanding today, the company felt it would be hard to be a major player "without an awful lot of additional capital." While Cablevision may have been able to finance an acquisition of about $200 million before its IPO, said Phillips, whose company helped underwrite the Cablevision offering, the company can now comfortably fund acquisitions in the several hundred million dollar range.

Still another impetus for going public these days, according to executives and observers, is the desire by original investors in these companies to gain liquidity for their stock. Not only is a market created for their shares, but in many cases, recent initial public offerings have included shares held by founding managers of the company. This has enabled Leonard Tow, president of Century, Steven Dodge, chairman of American Cablesystems, and Chuck Dolan, general partner at Cablevision, to "cash out" a certain portion of their original investments.

'These companies are being run by the people who should be running them.'

—John Crowley

But the overriding reason for going public for any company remains the desire to gain access to the large pools of capital available in the public markets. Not only do the debt and equity markets provide that access, but because information is more available on companies that are public and their financial resources are more liquid, the costs of money for public companies is generally less than for private companies.

Other advantages to public vs. private ownership are more ephemeral. While TCI's Malone has often spoken of the unfairness of the system of "double taxation" under which public corporations must operate, that is, corporate profits are essentially taxed twice, once at the corporate level on earnings and again at the individual level when dividends or capital gains are realized, the differences in the tax treatment of public and private corporations are really minimal.

One slight difference is that private corporations have generally been more aggressive in sheltering their earnings than public companies, which have naturally sought to try and show as much profit as possible, resulting in higher taxes. To the extent that a public corporation can convince investors not to pay attention to net income, tax treatment for both corporations will be essentially the same. "You can play all the same tax angles, as long as you're not worried about earnings," noted Collatos.

Hostile takeover threats

But, despite all the benefits of being public, the threat of a hostile takeover can throw off even the most ardent proponent of being publicly owned. While Viacom Chief Financial Officer Gordon Belt said being public was viewed as necessary for the company in order for it to make acquisitions not only in cable but in other businesses as well, the threat of hostile takeovers has clearly taken its toll. Belt said he continued to believe that a company which focuses on increasing shareholder value can stave off the threat of corporate raiders, yet he admitted that despite trying to do just that and putting in place a series of "shark repellants," the company has once again come under attack by a hostile raider. When asked what was left to do, he said, "We just try to deal with them as they arise."

For most cable companies, however, the threat of corporate raiders is not a reality. Many, including TCI, Cablevision, Rogers, Jones Intercable and Comcast, have created two classes of stock, leaving proportionately more voting power firmly in the hands of management. Therefore, even though some of the smaller cable companies may see their stock prices fall in the

next down cycle and the onset of what would normally be considered a perfect takeover situation—undervalued stock and highly valued assets—these companies are virtually takeover proof at this point in their corporate development.

Moreover, John Crowley, senior vice president at Cable Investments Inc., contended that because the current management in most cable companies are the same people who originally took the company public, maximizing shareholder values is still a primary concern for them. They have not had time to fall into the trap of older companies where the company may be perceived as serving management's pleasure above all else. "These companies are being run by the people who should run them" and as a result, they are less likely to be takeover candidates, he said.

But, despite all the advantages of going public now, many MSOs remain wary. The desire to be the master of one's own destiny and the conviction that the cable business is best run as a private entity where more attractive sources of financing are available continue to drive the decisions by Continental Cablevision and six other MSOs among the top 20 companies in the industry to remain in private hands. "Companies don't have to go to the public markets" to raise substantial capital resources, said Daniels' Saeman, because there are a plethora of financing tools currently available today.

That sentiment was heartily endorsed by Continental's Hawthorne. "We have been able to grow without public equity," she explained, by creating equity internally. That is, as the company's operating income has grown, banks and other lenders have been willing to increase lending to the company, based on a multiple of that operating income.

The only time in the company's history when debt capacity failed to stay ahead of the company's appetite for acquisitions and new franchises was in 1981. The market at that time was good, and the company considered going public. But before it could, Dow Jones offered to become an investor in the company with "a very aggressive bid" for the company's stock, which outstripped whatever the company could have raised in a public offering, said Hawthorne.

Public equity market

Continental, like many other private and public cable companies has found the so-called junk bond market to be a

April 1986

SOLD

ASHDOWN CABLEVISION INC.

serving 2,050 basic and 980 pay U.S. subscribers in Ashdown, Foreman and Little River County, Arkansas has been sold to

ENSTAR COMMUNICATIONS CORP.

of Atlanta, Georgia

The undersigned represented the seller in this transaction. This notice appears as a matter of record only.

COMMUNICATIONS EQUITY ASSOCIATES

This notice appears as a matter of record only.
April 1986

Sold:

Video Properties Inc.

Serving several communities in North & South Carolina

Sale represents 16,000 basic subscribers.

Gerry Zimmerman represented the sellers.

DANIELS & ASSOCIATES

2930 E. Third Avenue
Denver, Colorado 80206
303/321-7550

Financial Services to the Mobile Communications Industry.

hospitable environment. The MSO recently raised $200 million through such issues to finance a stock buyback program. Combined with its own resources, the company is convinced it can stay out of the public equity market.

"The things that are compelling in this game—major acquisitions and highly leveraging yourself—are 180° away from the management pressures in a public company," said Hawthorne. As part of that equation, she noted that depreciation, the result of major acquisition campaigns, is "terrific" for the industry because of its tax benefits, and that leverage allows the company to do other transactions. While high debt levels are frowned upon in traditionally valued companies, in the cable industry these companies with higher debt levels may signify greater rewards. "The (companies) with more equity are more stable, but they are also less exciting as equity investments," she stated.

John Saeman talked about other negatives to being public—answering to 2,000 people who all feel they know how best to run your business and worrying about unhappy stockholders and what they might do. "There's a lot of negative luggage you have to carry around," he said. "As a private company you control your own destiny." Saeman noted that Daniels recently considered whether or not to go public, but based on the company's growth appetite and its access to capital markets, the company decided it would be able to do what it wanted and still be private.

But even Saeman admitted it was possible Continental and other privately held large MSOs could have more capital and financing at more attractive rates if they were publicly traded.

While Harvey Sandler admitted the investment community has changed the way it values cable companies, he believes, nonetheless, that the industry with its low return on assets, its need for highly leveraging itself in order to achieve value, and its lack of reportable earnings make cable a natural for private businesses. Cable has historically been private and it should remain that way, Sandler said.

According to Sandler, the most compelling reason for going public, the access to large sources of capital, is just as available to private companies. "When all is said and done, people who have money want to be in good businesses," said Sandler. "If it's (cable) as good as people think it is, it'll eventually be owned by the utilities."

NOTES

Scientific-Atlanta reports third quarter earnings

ATLANTA—Scientific-Atlanta Inc., reported sales for the third quarter were $113 million, an increase of 9 percent over the same quarter last year. Net earnings for the quarter, ended March 31, 1986, were $678,000, compared to $4.1 million a year ago. Earnings per share were 2 cents compared to 18 cents for the third quarter last year. New orders totaled $93.2 million, compared to $117.2 million a year ago. Third quarter results are consistent with a recent announcement by the company that new orders, sales and earnings for the quarter would be below expectations.

For nine months ended March 31, 1986, sales were up 5 percent to $336.1 million, and net earnings were $8.5 million, compared to $11.5 million last year. Earnings for the nine months were equal to 36 cents per share, compared with 50 cents per share in the same period last year. New orders for the period totaled $339.5 million, compared to $347.7 million for the first nine months of fiscal 1985.

At its meeting on May 7, 1986, Scientific-Atlanta's board of directors declared a regular quarterly cash dividend on its common stock of three cents per share. The dividend is payable June 4, 1986, to shareholders of record May 21, 1986.

Comcast reports first quarter earnings

BALA CYNWYD, Pa.—Comcast Corp. reported first quarter results for the first three months of 1986. Revenues for the first quarter were $30,937,000, up 12 percent from $27,657,000 for the same period in 1985. Net earnings rose to $4,353,000 equivalent to 19 cents per share. This represents a gain of 55 percent over net earnings of $2,804,000 or 14 cents per share for the same period in 1985. Cash provided from operations increased 27 percent to $9,511,000 from $7,486,000 for the same period in 1985. On March 31, 1986 working capital reached $178,562,000. Among current assets was a $190,240,000 portfolio of cash and short-term investments.

TCI reports first quarter

DENVER—Tele-Communications Inc. reported an 8 percent increase in first quarter 1986 revenues over the corresponding reporting period in 1985. Revenues for the three months ending March 31, 1986 versus 1985 were $150,554,000 compared to $139,386,000. Funds provided by operations before interest expense generated by the company during the quarter ended March 31, 1986 and 1985 were $65,770,000 and $58,845,000 respectively.

Net earnings and earnings per share for the three months were $2,442,000 and 5 cents compared to $364,000 and 1 cent for 1986 and 1985, respectively. At year end 1985, TCI, through its six wholly-owned divisions and with its various partnerships, served 3,902,000 basic subscribers and 2,823,000 pay TV subscribers in 42 states.

C4 Media acquires Ozark's cable systems

TULSA, Okla.—Ozark Summit Cable Inc. of Marshfield, Mo. has sold its cable TV systems serving Marshfield, Strafford and Forsyth, all in Missouri, to C4 Media Corp. of Vienna, Va. The systems pass 3,570 homes and serve more than 1,400 basic subscribers with 71 miles of plant.

C4 Media Corp. also owns and operates cable properties in Missouri, Kansas and Oklahoma.

ACI Manchester acquires two systems

PROVIDENCE, R.I.—ACI Manchester Inc., an affiliate of Nashville, Tenn. based ACI, formerly Communications Corporation of America, has acquired two cable television systems serving more than 5,000 subscribers.

The systems serve 13 communities located near Manchester, Ky. Following the acquisition, the company plans to consolidate the systems into three headends and increase channel capacity from 12 to 21 channels in each of the systems. With this acquisition, affiliates of ACI now serve approximately 15,000 subscribers in systems located in the southeastern United States.

The systems were acquired for $4 million which was financed with a combination of senior and seller notes. Rhode Island Hospital Trust of Providence R.I. provided the senior loan in the form of a $2,625,000 revolving credit/term loan. John Barber and Co. served as the company's financial advisor in the transaction.

National cable advertising

This chart lists national advertisers on the basic cable networks. Some listings are partial.

Arts & Entertainment
American Express (R)
Architectural Digest
Armour-Dial (R)
AT&T (various divisions) (R)
Canon (N)
Chevron (N)
Diner's Club (R)
Dole Sorbet (N)
Ford Motor Co. (R)
Fortune Magazine (R)
General Motors (R)
Gillette (N)
Grey Poupon (N)
MasterCard (N)
Metropolitan Life (N)
Mrs. Dash Seasonings (N)
New Yorker Magazine (R)
Natural History Magazine (R)
Pommery Wines (N)
Ralston-Purina (R)
Time Magazine (R)
Visa (R)
Wells Fargo (R)
Zales (N)

BET
American Beauty Products (R)
Anheuser-Busch (R)
Bristol Meyers Co. (N)
C.B. Fleet Co. (N)
Carson Products (R)
Coca-Cola (R)
Columbia Pictures (R)
Eastman Kodak (R)
Ford Motor Co. (R)
General Mills (N)
Hershey (R)
Home Box Office (R)
J.C. Penney (R)
Johnson & Johnson (R)
Jovan (N)
KFC Corp. (R)
M&M Products Co. (R)
McDonald's (R)
Mobil Oil (R)
Nike (R)
Pepsi Cola (R)
Pro-line (R)
Procter & Gamble (R)
Quaker Oats (R)
Seagram Wine Co. (N)
Sears Roebuck & Co. (R)
Thompson Medical(R)
U.S. Army (R)
Warner Bros. Records (N)
Warner Lambert (R)
Wendy's International Inc. (R)

C-SPAN*
AFSCME
Centel
DuPont
Gannett Foundation
General Instrument
John D. & Catherine MacArthur Foundation
McKesson Corp.
Northern Telecomm.
Times Fiber
Time Inc.
TLL Temple Foundation

The Discovery Channel
†
American Heritage
Antiques Magazine
Architectural Digest
Barron's Weekly
Bird Talk
Bon Appetite Magazine
Business Week
Cat Fancy
Changing Times Magazine
Charles Schwab
Cooking With Bon Appetite
Consumer Reports
Dreyfus Fund
Enchanted World
Esquire Magazine
Esquire Video Products
Family Computing Magazine
Forbes Magazine
Home Magazine
Kent Collectibles
Life Magazine
M Magazine
National Business Employment Weekly
National Geographic World Magazine
Newsweek Magazine
Prudential Insurance
Psychology Today
Saavy Computers
Save The Children's Fund
Smithsonian Magazine
Sports Illustrated
Standard & Poors
Tennis Magazine
The New Yorker Magazine
Time + Life Books
Transamerica Occidental
TV Guide
U.S. News & World Report
W Magazine
Wall Street Journal

FNN
All-American Sports (N)
American Express Gold Card (N)
Anheuser-Busch (R)
Apache Trading (N)
Computer Sports (N)
Diner's Club (N)
Forbes Magazine (N)
Emery Air Freight (N)
Minolta (N)
Northwest Orient Airlines (N)
Paulson Investments (N)
Rolex (N)
Stroh's Beer (N)
United Rare Coin (N)

The Learning Channel
California Beef Council (R)
Charles Schwab (R)
Esquire Magazine (N)
Forbes Magazine (N)
Home Magazine (N)
Speed Mail (N)
Standard & Poor's (R)
Tax Mate (N)
Time + Life Books (R)

Tempo Television
AT&T
Bass Pro Shops
Bayer
Beechnut
Budweiser
Casio
Chum'n Rub
Continental Airlines
Evenflo
Fisher-Price
Gerber
Heinz
Hilton Hotels
Huggies
Ivory Snow
Johnson & Johnson
Johnson Reels
Johnson Silver Minnow
Kodak
Little Stinker Bate Co.
Maytag
National Rifle Assoc.
Norelco
Playboy Magazine
Playtex
Redman Chewing Tobacco
Rubbermaid
Sears
Time + Life Books
Tropicana
United Airlines
Valvoline
Vaseline
Windjammer
Yamaha

The Weather Channel
AC Delco (R)
Clorox (R)
Columbian Coffee (R)
Frito-Lay (R)
General Foods (R)
GMC Trucks (R)
Hartford Insurance (R)
International Car Wash Assoc. (R)
Italcable (R)
Kraft Foods (R)
M&M/Mars (R)
Michelin (R)
Northwest Orient Airlines (R)
Pearle Vision Centers (R)
Proctor & Gamble (R)
Quaker Oats (R)
Quaker State Oil (R)
Ralston-Purina (R)
United Airlines (R)
Warner Lambert (R)

R denotes renewal client.
N denotes new client.
†New and renewal information not available.

*Listing is comprised of program underwriters.
Source: Advertising clients are provided by the programs services to International Thomson Communications Inc.